

CITY OF FREMONT

FY 2014/15 Mid-Year Budget Review

March 3, 2015

Overview

- ▶ Economic Update
- ▶ FY 2014/15 Budget
- ▶ Preliminary Forecast
- ▶ Summary and FY 2015/16 Budget Schedule

Economic and Revenue Update

- ▶ National
 - National economy at mid-recovery
- ▶ Local/Regional
 - Property and sales tax seeing moderate growth

Additional Revenue of \$1.2 Million

Dollars in Millions	FY 2013/14 Actual	FY 2014/15 Adopted	FY 2014/15 Estimate	FY 2014/15 Estimate vs. Prior Year	FY 2014/15 Estimate vs. Adopted
Property Tax	\$ 70.1	\$ 74.2	\$ 74.2	5.6%	\$ 0.0
Sales Tax	38.9	39.4	40.4	3.9%	1.0
Franchise Fees	8.9	9.0	9.2	3.4%	0.2
Business Tax	7.8	8.1	8.3	6.4%	0.2
Hotel Tax	6.2	6.9	7.1	14.5%	0.2
Charges for Services	4.9	5.5	5.4	10.2%	-0.1
Other	7.9	8.2	7.8	-1.3%	-0.4
Revenue Subtotal	144.7	151.3	152.4	5.3%	1.1
Transfers In	6.0	6.4	6.5	8.3%	0.1
Total Resources	\$150.7	\$157.7	\$158.9	5.4%	\$ 1.2

Ending Fund Balance of \$1.2 Million

Dollars in Millions	FY 2013/14 Actual	FY 2014/15 Adjusted*	FY 2014/15 Estimate
Revenues and transfers in	\$150.7	\$157.7	\$158.9
Expenditures and transfers out	151.7	160.6	160.6
Net results of operations	-1.0	-2.9	-1.7
Beginning fund balance	3.4	2.9	2.9
Change in encumbrance balance	0.5	0.0	0.0
Ending fund balance	\$ 2.9	\$ 0.0	\$ 1.2
Revenues and transfers in percent change		4.6%	5.4%
Expenditures and transfers out percent change		5.9%	5.9%

* FY 2014/15 adjusted budget includes \$2.9 million actual ending fund balance allocated by the City Council as part of the FY 2013/14 Year-End Update to emergency operations center improvements and purchase of fire apparatus. Excluding that use of fund balance, the percent change in expenditures and transfers out is 4.0%.

Preliminary Forecast

Dollars in Millions	FY 2013/14 Actual	FY 2014/15 Estimate**	FY 2015/16 Projected	FY 2016/17 Projected	FY 2017/18 Projected
Revenues and transfers in	\$150.7	\$158.9	\$167.2	\$172.7	\$177.7
Expenditures and transfers out*	149.2	160.6	167.2	172.3	173.5
Transfer to SIO Fund	2.5	0.0	0.0	0.4	4.2
Net results of operations	-1.0	-1.7	0.0	0.0	0.0
Beginning fund balance	3.4	2.9	1.2	1.2	1.2
Change in encumbrance balance	0.5	0.0	0.0	0.0	0.0
Ending fund balance	\$ 2.9	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2
Revenues and transfers in percent change		5.4%	5.2%	3.3%	2.9%
Expenditures and transfers out percent change		5.9%	4.1%	3.1%	0.7%

* FY 2014/15 and forecast year projections are net of estimated vacancy savings.

Forecast year projections also include adjustments to reflect additional public safety staffing (three police officers, additional emergency dispatchers), a full year of operations at Fire Station #11, and CalPERS contribution increases.

** FY 2014/15 estimate includes \$2.9 million ending fund balance allocated by the City Council as part of the FY 2013/14 Year-End Update to emergency operations center improvements and purchase of fire apparatus. Excluding that use of fund balance, the percent change in expenditures and transfers out is 4.0%.

Progress Towards Unfunded Needs

Dollars in Millions	FY 2013/14 Actual	FY 2014/15 Estimate	FY 2015/16 Projected	FY 2016/17 Projected	FY 2017/18 Projected
Street maintenance	\$ 2.5	\$ 2.9	\$ 3.6	\$ 3.6	\$ 3.6
Deferred maintenance	1.0	1.0	1.0	1.0	1.0
Public safety (three more police officers)	0.0	0.0	0.5	0.5	0.5
OPEB	1.1	2.2	2.2	2.2	2.2
Total	\$ 4.6	\$ 6.1	\$ 7.3	\$ 7.3	\$ 7.3

* The following unmet needs have been included as ongoing expenditures in the FY 2013/14 or FY 2014/15 and future budgets and have consequently been removed from the unmet needs list:

- Downtown plan -- \$1 million ongoing funding beginning in FY 2013/14
- Warm Springs/South Fremont -- \$250,000 ongoing funding beginning in FY 2013/14
- Public safety -- three additional police officers in FY 2014/15; opening Fire Station 11 in FY 2014/15
- Sunday library hours -- ongoing beginning in FY 2013/14
- Affordable housing contribution -- 20% of City's former redevelopment project area property tax beginning in FY 2013/14

Reserves Provide Uncertainty Cushion

Reserve/Fund	Adopted Funding July 1, 2014
Contingency Reserve (10% of expenditures and transfers out - natural disasters, unforeseen events)	\$15.8 Million
Program Investment Reserve (2.5% of expenditures and transfers out - new revenue-generating initiatives)	3.9 Million
Economic Volatility Reserve (2.5% of expenditures and transfers out - adverse economic/cost impacts)	3.9 Million
Total, in accordance with Council policy	23.6 Million
Budget Uncertainty Reserve (offset revenue uncertainty)	3.7 Million
Total Reserves (17.3%)*	27.3 Million

*GFOA Recommendation is no less than two months of regular operating expenditures (16.7%)

Summary

- ▶ National economy growing, but at an uneven pace
 - Likely that the City's revenue growth will slow as business cycle matures
- ▶ Regional economy continuing to experience moderate recovery
 - Healthy growth in top five revenues
 - Revenues keeping pace with expenditures, but limited capacity for enhancing services or additional funding for unmet needs
- ▶ FY 2014/15 mid-year estimate indicates \$1.2 million ending fund balance
 - General Fund reserves for FY 2014/15 established at City Council policy levels
- ▶ We are able to maintain and, in some cases, improve on the current level of services while making strategic investments for the City's future
 - Making up for position reductions and streets and facilities maintenance deferred during the economic downturn -- we still have unmet needs
 - City facing increasing budgetary pressure in future years resulting from increases in pension and healthcare costs

FY 2015/16 Operating Budget Schedule

- ▶ March 3, 2015 Mid-Year Budget Review
- ▶ May 19, 2015 Proposed Operating Budget Presentation
- ▶ June 2, 2015 First Public Hearing
- ▶ June 9, 2015 Second Public Hearing and Budget Adoption